



## Dear Governor Phil Bredesen and the People of the State of Tennessee:

I am pleased to present to you and our fellow Tennesseans this 32nd Annual Report of the Department of Financial Institutions for Fiscal Year 2006.

The Department regulates banks, credit unions, trust companies, business and industrial development corporations, industrial loan and thrift companies, insurance premium finance companies, mortgage lenders, brokers, servicers and originators; title pledge lenders, check cashers, deferred presentment services companies and money transmitters. We play a vital role in regulating and supporting the financial services industry and ensuring that Tennessee financial institutions remain fiscally strong and comply with governing authority.

The Department's mission is to ensure a safe and sound system of state-chartered institutions for Tennessee citizens. The state of our depository financial institutions is good. Depository institutions remain well-capitalized, profitable and innovative in their diverse offerings of products and services. Although we continue to see some consolidation, total net assets continue to increase and the complexity and breadth of operations continue to grow. The formation of de novo state banks remains strong, but has slowed slightly.

In addition, we recognize that the economic development of our state is fueled by financial institutions. As such, we continue to remain responsive to those entities to create an environment that promotes economic vitality and fairly meets the diverse financial needs of our citizens.

This objective, united with a proactive approach in the area of compliance, continues to be a main focus for the Department. In 2006, the Tennessee Home Loan Protection Act was signed into law to help reduce consumer abuse and predatory lending by defining and restricting high cost home loans. The Department has prepared well to enforce this law and we will report our findings. I would also note that we have just issued a supplemental report on the Title Pledge industry and have completed our first year of regulation of that industry. We have made two legislative recommendations to you. One is a clarification of three provisions in the Banking Act. The other closes the exception from licensing under the Check Cashing Act for money transmitters and finance companies.

Throughout this report you will find additional information related to the work of this agency, as well as the condition of the entities the Department regulates. As you peruse this report you will notice that Tennessee remains a premier state for banking and financial services companies. On behalf of the employees of the Department, this report is respectfully submitted.

Sincerely,

A handwritten signature in black ink, reading "Greg Gonzales". The signature is fluid and cursive, with a large, stylized "G" and "G".

Greg Gonzales, Commissioner